

## Annual inflation rises for the 3<sup>rd</sup> consecutive month in Nov 2017...

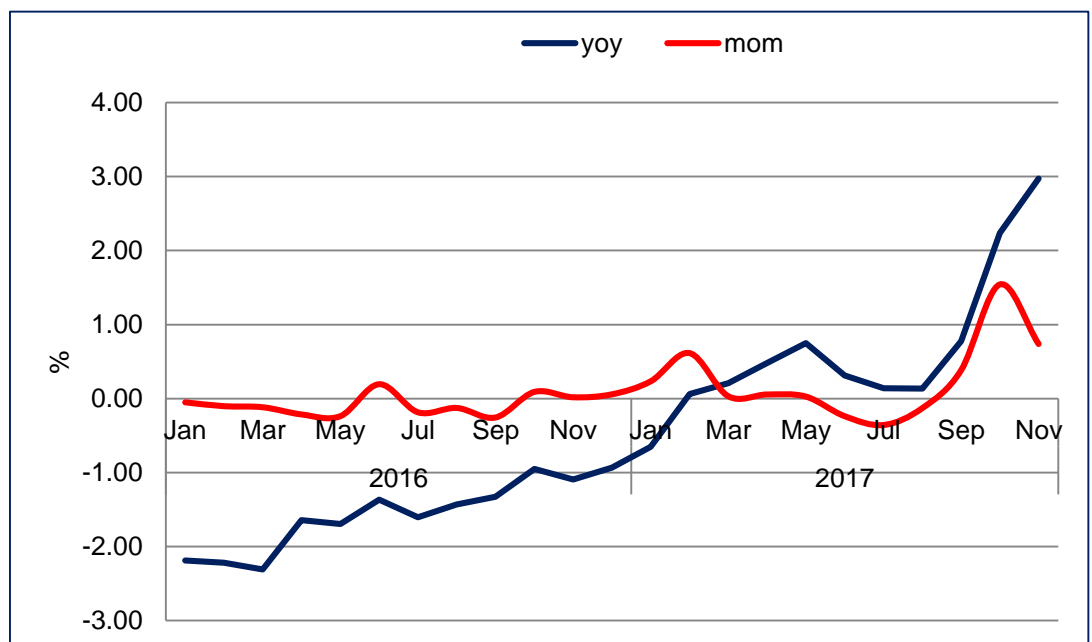
Indicator	Oct 2017	Nov 2017	Dec 2017 (Forecast)
Annual	2.2%	3.0%	3.8%
Month-on-Month	1.5%	0.7%	0.9%

Source: ZimStat, Own forecast

- The year-on-year “y/y” inflation increased by 0.7 percentage points from 2.2% in October 2017 to 3.0% in November 2017, against our opinion poll forecast of 3.2%. Both food and non-food prices recorded increases.
- According to the ZimStat, the y/y food and non-alcoholic beverages inflation rose from 4.4% in October 2017 to 5.7% in November 2017, whilst the non-food inflation also increased from 1.3% in October 2017 to 1.7% in November 2017.
- Meanwhile, the month-on-month “m/m” inflation declined by 0.8 percentage points from 1.5% in October 2017 to 0.7% in November 2017. Most food and non-food categories recorded price decreases including oil and fats, gas, liquid fuel, clothing material and pharmaceutical products.
- Thus, the m/m Food and Non-Alcoholic Beverages inflation rate stood at 1.7% in November 2017, down from 2.3% in October 2017, whilst the m/m Non-Food Inflation rate stood at 0.3% in November 2017, compared to 1.2% in October 2017.

**Fig.1** below illustrates the trend in the inflation rates from January 2016.

**Fig.1: Inflation trends**



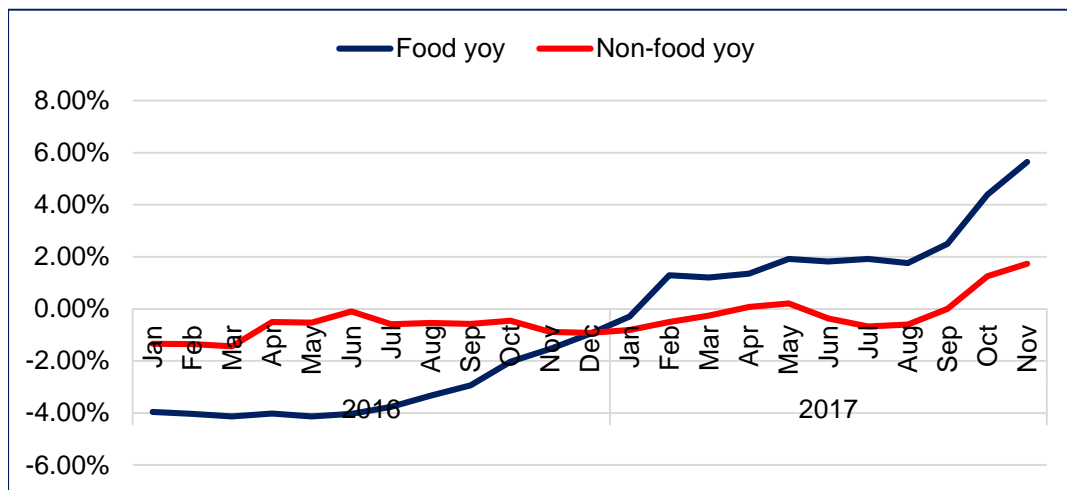
Source: ZimStat

...Annual inflation increased by 0.73 percentage points “pp.” to 2.97% in Nov 2017...

.... Month on month inflation declined by 0.80 pp. to 0.74% in Nov 2017...

- Fig.2 below outlines the trend in food and non-food inflation from January 2016, with food prices rising more steeply than non-food prices.

**Fig.2: Trend in Food and Non-Food Inflation**



Source: ZimStat

- Meanwhile, with the exception of Mauritius, annual inflation decelerated in November 2017 for most countries under our survey, as illustrated in **Table 1**.

**Table.1: Comparative Annual Inflation Trends**

	Zimbabwe	Botswana	Zambia	South Africa	Mozambique	Malawi	Nigeria	Kenya	Mauritius	Ecuador	Panama
Nov-16	-1.09	2.90	8.80	6.60	26.83	19.90	18.48	6.68	2.20	1.05	1.30
Aug-17	0.14	3.40	6.30	4.80	14.35	9.30	16.01	8.04	4.60	0.28	0.70
Sep-17	0.78	3.20	6.60	5.10	10.76	8.40	15.98	7.06	3.50	-0.03	0.80
Oct-17	2.24	3.00	6.40	4.80	8.35	8.30	15.91	5.72	3.50	-0.09	0.50
Nov-17	2.97	2.90	6.30	4.60	7.15	n/a	n/a	4.73	3.60	-0.22	0.40

Source: Various (n/a – Nov 2017 statistics still to be released)

## Outlook

Although the November figures came out lower than we had anticipated, we still maintain our view that the y/y inflation will rise further during the month of December 2017. This view is largely supported by the hike in most prices of goods and services during the week ending 15 December 2017. However, at the time of publishing this article, the Government was in engagements with the business community over the price hikes, thereby making it difficult for us to project the ultimate inflation outturn for December 2017. In 2018, the Government is targeting an average y/y inflation rate of 3.0%. This will require considerable intervention with regards sterilization of excess domestic liquidity and improving foreign currency availability and, thus, elimination of exchange rate premiums and arbitrage opportunities.

*...food prices on a y/y basis rising more steeply than non-food prices...*

*...Botswana commands the lowest inflation profile within the region...*

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